

EXHIBIT B-7

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE:

Case No. 00-3299

CORAM HEALTHCARE,

824 Market Street
Wilmington, DE 19801

Debtors,

March 3, 2003
9:30 A.M.

TRANSCRIPT OF TRUSTEE'S MOTION FOR AUTHORIZATION TO REJECT
THE EXECUTORY CONTRACT OF DANIEL CROWLEY
BEFORE THE HONORABLE MARY F. WALRATH
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

For the Trustee:

Schnader Harrison Segal & Lewis,
LLP
By: BARRY E. BRESSLER, ESQ.
WILBUR KIPNES, ESQ.
RICHARD BARKASY, ESQ.
1600 Market Street, Suite 3600
Philadelphia, PA 19103

Weir & Partners
By: JOHN B. YORK, ESQ.
824 Market Street Mall, Suite 101
P.O. Box 708
Wilmington, DE 19899

Office of the U.S. Trustee
By: RICHARD SCHEPACARTER, ESQ.
J. Caleb Boggs Federal Building
844 King Street, Lockbox 35
Wilmington, DE 19801

Audio Operator:

Jennifer M. Patone

Proceedings recorded by electronic sound
recording, transcript produced by transcription service.

J&J COURT TRANSCRIBERS, INC.
268 Evergreen Avenue
Hamilton, New Jersey 08619
E-mail: jjcourt@optonline.net

(609)586-2311 Fax No. (609)587-3599

Adams - Direct

18

1 Q And that would be SSG and the Ewing Menorabemus (phonetic)
2 firm?

3 A Yes, I've met with them and I've talked with them.

4 Q And what have you discussed regarding the operation of the
5 company with them?

6 A Well, one of the things that was always on my mind was
7 whether I should continue Mr. Crowley. I was very concerned
8 about the opinion of the court and conflicts issue. So, I
9 approached that decision with a -- with a ceratin amount of
10 skepticism, and since my family is from Missouri anyway, I kind
11 of took an approach, you've got to show me.

12 And that has been my approach with Mr. Crowley and his
13 entire staff. You have to demonstrate to me that you are the
14 best people to be operating this what I thought was a very
15 valuable company.

16 And I never made a final decision. I think Mr. Crowley
17 understood -- I hope he did, that it was kind of a situation
18 where if they did not produce I would feel free to make other
19 decisions.

20 Q What have you been advised regarding the earnings of the
21 company, or what have you observed yourself regarding the
22 earnings and profitability of the company over the last nine
23 months and since Mr. Crowley has been in control?

24 A It's been on an upward trend during that entire period in
25 the sales, in profits, in cash flow, in what they call EBITDA

Adams - Direct

1 all during that period.

2 And I think that's been true all during the period Mr.
3 Crowley has been there, but that has not been my concern. My
4 concern was primarily while I was in charge.

5 Q Have you formed a view as to what the consequences of Mr.
6 Crowley no longer being with the -- Coram might be?

7 A I have.

8 Q And what is that view?

9 A I think it would de-stabilize the business, it would cause
10 the executives to begin worrying about their situation and
11 maybe depart for other more secure situations. It would cause
12 the suppliers to begin worrying about having their bills paid,
13 it would cause some of the important customers to feel a good
14 deal of uncertainty.

15 When you make a change at the very top of the corporation,
16 it has a tendency to do-stabilize unless there is a very, very
17 good reason, such as heart attack or another job or promotion.
18 But if you suddenly remove the CEO it causes a lot of
19 consternation.

20 Q Have you consulted with professionals in developing that
21 opinion?

22 A I have.

23 Q And who have you talked to or consulted with?

24 A Well, I talked to the -- to gentlemen whose names you have
25 just mentioned on a number of occasions.

Adams - Direct

20

1 MR. LEVY: Excuse me --

2 THE COURT: Well, I can't -- you can't be heard
3 unless you're speaking into the microphone, Mr. Levy..

4 MR. LEVY: Excuse me, the response the gentleman just
5 mentioned is a little vague. I just would like to hear the
6 names again so we're clear.

7 THE WITNESS: The one was Scott, and I think the
8 other was Barra.

9 BY MR. BRESSLER:

10 Q Bemus.

11 A Bemus. As I told Mr. Levy on -- last week, I talked to.
12 some of my former colleagues at Albert Einstein. I'm still the
13 honorary president, so maybe I shouldn't say former colleagues.
14 One in particular that I did not mention to him, I thought
15 about after the deposition, was Mark Levitan. Mark Levitan had
16 run the University of Pennsylvania Hospital system and had
17 created a conglomerate known as Medicorps, and he was my
18 executive assistant -- or actually the president of Einstein
19 when I was the chairman. And he pretty much confirmed what the
20 other gentlemen had said. You have to worry about de-
21 stabilizing an organization unless you have a very good reason.

22 And then I'm on the board of a --

23 MR. LEVY: I apologize. That's clear hearsay. Your
24 Honor, what he said --

25 THE COURT: Overruled. It's not being offered for

Adams - Direct

21

1 the truth of it but what he did to reach his decision.

2 THE WITNESS: I also talked to Jeffrey Perman who's
3 the CEO of a corporation in which I served on the board which
4 does a great deal of business in the dental industry, and he
5 gave me the same advice.

6 BY MR. BRESSLER:

7 Q How many times have you visited Denver?

8 A Oh, four or five. I can't tell you for sure. See, I went
9 there twice in connection with a matter that brought me to
10 Denver, and I thought I would use that as an opportunity to
11 stop by and see how things were going.

12 Q And I presume in connection with your determination as to
13 Mr. Crowley you also consulted with your counsel?

14 A With Mr. Crowley's counsel?

15 Q No, with your counsel.

16 A Oh, sure, every day, two, three times a day, yeah. You've
17 become one of my closest friends.

18 Q Thank you. Looking at Trustee's 1 that's in front of you,
19 did you believe that the terms provided in the agreement were
20 fair and reasonable under the circumstances?

21 A Yes, but I have to in all frankness and openness say I'm
22 pretty tough when it comes to salaries. You know that. I have
23 a reputation for that. I don't like to see big salaries, and I
24 think I pressed you pretty hard on it. Subject to that, I
25 thought that you had done a very, very good job in hammering

Adams - Direct

22

1 out this contract.

2 Q Would it be fair to say that it was your understanding
3 that Mr. Crowley, through his counsel, was looking for a lot
4 more?

5 A Well, I knew it. It wasn't only my understanding, I knew
6 that they were asking for a lot more, but they weren't going to
7 get it from me. And he knew it. He knew that there was a high
8 water mark, and he knew that if they could not come to terms I
9 was prepared reluctantly to go out to Denver myself.

10 I don't think I could do as good a job as Mr. Crowley,
11 nowhere near a job like he has done.

12 Q What has your role with the -- Coram been as opposed to
13 Mr. Crowley's role since March of 2002?

14 A What has my role been?

15 Q Yes.

16 A Like supervise the operation. I didn't tell him on a day-
17 to-day basis what to do, but I made ceratin that I reviewed
18 every major decision, every contract for over \$50,000, any
19 changes that he wanted to make in the executive branch, any
20 financial arrangements that Coram wanted to do, purchase of
21 software which was an especially big contract, caused me to
22 come out and interview the people for several hours to make
23 sure we were getting our money's worth.

24 I kept on top of it. I called him very frequently and
25 called people like Mr. Marabita. I supervised the claim

Adams - Direct

23

1 against Price Waterhouse, which I think is a fairly substantial
2 claim. I got involved in the negotiations with the IRS which
3 involved approximately \$18 million. I watch very carefully the
4 negotiations regarding Arnet, which is a stumbling block, and I
5 spent a great deal of time with claimants who would call in
6 and write in and things of that sort.

7 Q Do you have any reason to believe that Mr. Crowley has
8 done anything that would be a financial impropriety during your
9 term as Trustee?

10 A I have no such reason.

11 Q Have you formed any view as to Mr. Crowley's
12 forthrightness in advising you of the operation of the company
13 during the nine months?

14 A I have --

15 MR. LEVY: Can I hear the question again?

16 MR. BRESSLER: I asked him if he has formed any view
17 as to the forthrightness of Mr. Crowley's information to him
18 regarding the operation of the company since March 7, 2002.

19 THE WITNESS: I have formed a view, and my view is
20 that he has been completely forthright and forthcoming. If he
21 wasn't, I would not be sitting here today.

22 BY MR. BRESSLER:

23 Q During your deposition, in response to some questions from
24 Mr. Levy, I think at one point you stated that in your 55 years
25 of practice you don't recall another occasion when your

Adams - Redirect

70

1 THE COURT: Sustained.

2 BY MR. BRESSLER:

3 Q What were your views as to the inquiry into the continued
4 possible conflict?

5 A I instructed you and your colleagues to be very attentive
6 to that issue. I knew of the judge's position, and I had every
7 intention to adhere very closely to that. And if I couldn't
8 take care of the details, I expected you and your associates to
9 do so.

10 Q Have you seen anything in the documents and unsent drafts
11 that Mr. Levy has shown you that is not consistent with Mr.
12 Crowley's representation to you that he's no longer getting
13 paid by Cerberus?

14 A I have seen nothing. If I did, I would be upset about it
15 and probably take steps.

16 Q What is the current level of authority that any of the
17 officers of Coram have to write checks or spend money without
18 your approval?

19 A I think the level is \$50,000. I approve everything above
20 -- from 50,000 up.

21 Q You don't have to know what services Mr. Crowley may have
22 been claiming monies from Cerberus for to know that he told you
23 they were not for Coram work; is that correct?

24 MR. LEVY: Objection, leading.

25 THE COURT: Overruled, but it could be clarified.

Crowley - Direct

73

1 Court.

2 THE WITNESS: Daniel D. Crowley, C-r-o-w-l-e-y.

3 DANIEL D. CROWLEY, TRUSTEE'S WITNESS, SWORN

4 COURT CLERK: Please be seated.

5 MR. KIPNES: Thank you for granting my admission pro
6 hac vice, Your Honor.

7 DIRECT EXAMINATION

8 BY MR. KIPNES:

9 Q Mr. Crowley, Judge Adams testified about your meeting in
10 Denver., March 25th or 26th, 2002.. Would you describe what
11 discussions you had at that meeting regarding the operations of
12 Coram?

13 A Yes. Judge Adams asked me to go over in detail how the
14 company was running, how it was operating, how it had operated.
15 what issues there were, problems, and began to inquire and
16 create an awareness for himself and understanding of the
17 business that is Coram.

18 I discussed the sales and the strategies. I discussed the
19 costs and the drivers. I discussed the gross profitability,
20 the administration. I discussed the EBITDA, the cash flow. I
21 discussed the staffing and I had -- I'd been asked to go over
22 what the trends were, and I discussed those in great detail.

23 Q At some point did Judge Adams ask you to submit a weekly
24 report?

25 A Judge Adams directed me to submit a weekly report and a

Crowley - Direct

74

1 monthly report.

2 Q And have you done that?

3 A Yes, I prepared the weekly report in accordance with his
4 instructions.

5 Q At your initial meeting with Judge Adams, what
6 conversations, if any, did you have regarding Cerberus?

7 A Judge Adams discussed Judge Walrath's opinion with me. He
8 asked me directly about my relationship with Cerberus. He
9 asked me if I was receiving any compensation from Cerberus in
10 2002. He asked me what work I was doing for Cerberus. We
11 discussed the current activities that I had with Cerberus, and
12 he instructed me as to what circumstances and conditions in
13 which he would grant permission for me to do those projects for
14 Cerberus.

15 Q What instructions were those?

16 A Judge Adams was very specific in that he said I'm not to
17 be paid anything by Cerberus for work done in 2002. I agreed to
18 that. Judge Adams was very specific in saying that any work
19 that I did for Cerberus in 2002 could not be involved in any
20 way with the business or relationships of Coram. I said
21 absolutely, I had no problem with that.

22 Judge Adams was very specific that the work, if any, that
23 I would do for Cerberus could not detract from the activities
24 and focus that I had to provide to Coram, and I agreed to that.

25 MR. KIPNES: Your Honor, may I hand the witness

Crowley - Direct

75

1 what's been marked as Trustee's Exhibit 2, which is a letter
2 without attachments from Mr. Crowley to Judge Adams dated March
3 11, 2002?

4 THE COURT: Yes. Any objection to my having a copy?

5 MR. KIPNES: My apologies.

6 THE COURT: Thank you.

7 BY MR. KIPNES:

8 Q Do you have Trustee's Exhibit 2 in front of you, Mr.
9 Crowley?

10 A Yes, sir.

11 Q Did you write this letter?

12 A Yes.

13 Q This letter was written before your in-person meeting with
14 Judge Adams, correct?

15 A Yes.

16 Q In the last paragraph of Trustee's Exhibit number 2
17 there's a number of entities listed. You see that?

18 A On Page --

19 Q Page 1, last paragraph of Trustee's Exhibit 2.

20 A Yes, sir.

21 Q What are those entities?

22 A Yes.

23 Q Generally.

24 A In 1999, 2000 and 2001 my work for Cerberus involved many
25 aspects, one for which I would be entitled to receive upside if

Crowley - Direct

76

1 any were earned by Cerberus related to deals in which I had
2 placed some 20 or so portfolio managers for Cerberus. The
3 listing here are some of the deals, not all of the deals, that
4 included Beverly Nursing Homes of Florida. I did a lot of work
5 for Cerberus as it related to nursing homes, Texas Nursing
6 Homes, Beverly Nursing Homes, Kindred Nursing Homes, Care
7 Matric Nursing Homes, Assisted Living, Sun Nursing Homes, and
8 other work, a worker's comp company, MCA PHP, which was an HMO,
9 Winterland which was a T-shirt company, Curative Health Care
10 which became produced Willen Care (phonetic), Hangor
11 Orthopedics (phonetic) that did artificial limbs and many
12 others, and it lists some of the other work, health care
13 research, locating board members, fund-raising, management team
14 recruiting, all work that related to Cerberus, none that
15 related to Coram, some of which I had an upside.

16 Q What did you tell Judge Adams about the claim you thought
17 you had against Cerberus at your March 25th or 26th meeting?

18 A I told Judge Adams that I thought there was a mountain of
19 evidence that could and should have been presented to the Court
20 here in Delaware, but it for whatever reason hadn't, but that
21 there was a substantive and provable mountain of work that I
22 did for Cerberus, had nothing to do with Coram, in which I was
23 owed money, upside, substantial money, and that I hadn't been
24 paid, and I wished to pursue that.

25 Judge Adams said that has nothing to do with this

Crowley - Direct

77

1 bankruptcy. That's your claim against Cerberus for non-Coram
2 work. Pursue it.

3 Q At the time of your meeting with Judge Adams, had you
4 received any money or any compensation of any kind from
5 Cerberus in the year 2002?

6 A I have not received any money for anything from Cerberus
7 since December of 2001, not a penny.

8 Q Do you have the -- are the exhibits before you that have
9 previously been --

10 A No.

11 Q -- introduced?

12 A No, sir.

13 THE COURT: I have it.

14 MR. KIPNES: Thank you, Your Honor.

15 BY MR. KIPNES:

16 Q Would you turn to Equity Committee 7, which is a letter of
17 April 10, 2002.

18 A Yes, sir.

19 Q Please turn to the second page, Mr. Crowley.

20 A Yes.

21 Q Now, this letter follows your meeting with Judge Adams,
22 your first meeting with Judge Adams.

23 A Yes, it does.

24 Q And on the second page there's a list of items on which
25 you say, quote, "We need direction." See that?

Crowley - Direct

78

1 A Yes, I do.

2 Q Then there's a series of items, and one of which is,
3 quote, "The terms for termination of the Crowley/Cerberus
4 contract."

5 See that?

6 A Yes, I do.

7 Q Why did you include that on a list of items that -- to
8 Judge Adams on which you said you needed direction?

9 A I obviously read Judge Walrath's opinion. The contract
10 was dead in December. I had discussed it with the Trustee in
11 March. I'm in the middle of trying to negotiate a termination.
12 and I have upside due me from Cerberus. I wish to know what
13 role the office of the Trustee or the Chapter 11 Trustee Judge
14 Adams wished to play, because I feel some sense of urgency to
15 terminate this contract.

16 And by that I mean I'm negotiating the amounts of money
17 that are due me for work I did for Cerberus that were unrelated
18 to Coram. I want to get paid for what I did three years ago,
19 two years ago, one year ago, and I want to know what does Judge
20 Adams wish to participate in what way, what role, what
21 oversight, what does he want to know?

22 Q What response did you get, if any?

23 A That that contract was between Cerberus and myself,
24 writing it had nothing to do with Coram. That he did not wish
25 to weight in. He did wish to be informed if and when we came

Crowley - Direct

79

1 to an agreement as to what payment and for what. And I said we
2 would absolutely do that, submit it to him, and it would be
3 submitted to this Court.

4 Q Have you reached any agreement relating to that contract
5 with Cerberus?

6 A No. And in the end having talked to them, met with them,
7 wrote them, asked my counsel to talk with them, meet with them,
8 write them, I ended up terminating them for a material breach
9 for not paying the amounts of money that were due for 1999,
10 2000 and 2001.

11 Q About when was that?

12 A September of 2002.

13 Q What's the status of that claim, your claim against
14 Cerberus, today?

15 A They haven't paid me a penny, and I'm left to my
16 alternatives, which I have not ruled out litigating.

17 Q In your -- has Cerberus committed to pay you anything?

18 A No. If they had, I would have written it to Judge Adams.
19 I would have presented it through Judge Adams, if he wished, to
20 this Court. We would be talking about in public. I haven't
21 any agreement or commitment with Cerberus.

22 Q Why are you still at Coram?

23 A Judge Adams asked me to stay at Coram. My contract was
24 expiring at the end of November. At the beginning of October
25 I wrote the judge a note saying my contract's coming to an end.

Crowley - Redirect

109

1 If Judge Walrath decides against that, then I'll decide
2 what I want to do. I don't know what that is.

3 Q Thanks a lot, Mr. Crowley.

4 THE COURT: Any redirect?

5 MR. KIPNES: Very briefly, Your Honor.

6 REDIRECT EXAMINATION

7 BY MR. KIPNES:

8 Q Mr. Crowley, would you turn to Equity Committee-8? Equity
9 Committee 8.

10 A Yes, sir.

11 Q The exhibit you marked is Equity Committee 8, the May 6,
12 2002 draft. Would you turn to the third page.

13 A Yes.

14 Q Let's establish that Mr. Schreiber wrote those words,
15 correct?

16 A He wrote them.

17 Q When did you see them?

18 A Last week Mr. Schreiber showed them to me.

19 Q What did you say to MR. Schreiber when you read the five
20 lines that appear on the third page of Equity Committee Exhibit
21 8?

22 A I --

23 Q A verbatim response it not required.

24 A -- really --

25 Q Just what did you tell him?

Crowley - Recross/Levy

110

1 A I was really angry. I -- this is bullshit. I'm sorry. I
2 apologize to the Court.

3 Q Did you have any conversation at that time with Mr.
4 Schreiber about the accuracy of what appears on that page?

5 A I did.

6 Q And what did you say?

7 A This is absolutely wrong. It's not in context with that
8 meeting. None of this happened. Where in the hell did you get
9 this? And why am I looking at it a year later, an insert that
10 I've never seen before? What is this about?

11 Q Does Cerberus owe you any money in your view for any work
12 you have done at any time from the date of your birth to now
13 that has anything to do with Coram?

14 A Not a penny.

15 MR. KIPNES: No further questions.

16 RECROSS EXAMINATION

17 BY MR. LEVY:

18 Q Perhaps I misunderstood you, Mr. Crowley. I thought you
19 had testified that after you wrote the May 6 letter and
20 discussed it and the third page, Page 65, with Mr. Schreiber;
21 is that not your testimony?

22 A Mr. Levy, I told you I hadn't seen this thing in over a
23 year, that the only time I've seen it since I thought it was
24 thrown away, I sent it to my lawyer. I did Draft Two, was
25 ready to send it. I cooled down the next day, in the trash it